

Message Text

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ACTION ARA-20

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-07 H-03 INR-10 L-03

NSAE-00 NSC-10 PA-03 RSC-01 PRS-01 SPC-03 SS-15

USIA-15 ACDA-19 IO-13 AID-20 COME-00 EB-11 FRB-02

TRSE-00 XMB-07 OPIC-12 CIEP-02 LAB-06 SIL-01 OMB-01

IGA-02 INT-08 DRC-01 PC-04 /201 W
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P R 251931Z SEP 73

FM AMEMBASSY LIMA

TO SECSTATE WASHDC PRIORITY 7159

INFO AMEMBASSY SANTIAGO

AMEMBASSY LA PAZ

AMEMBASSY BUENOS AIRES

AMEMBASSY BRASILIA

AMEMBASSY QUITO

USCINCSO

C O N F I D E N T I A L SECTION 1 OF 2 LIMA 7065

EO 11652: N/A

TAGS: PFOR, BDIS, EIND, EMIN, CI, PE

SUBJECT: THE CAUTIOUS PERUVIANS, CHILE AND CERRO

1. SUMMARY: OF LATE, THE GOP HAS TAKEN A CAUTIOUS COURSE, MORE "REVOLUTIONARY" IN ITS PUBLIC STATEMENTS THAN IN PRAGMATIC POLICY DECISIONS. EVENTS IN CHILE WILL PROBABLY MAKE GOP EVEN MORE CAREFUL IN ITS HANDLING OF DOMESTIC POLITICAL AND ECONOMIC QUESTIONS. INTERNATIONALLY, PERU WILL FIND ITSELF WITHOUT CHILE'S STRONG SUPPORT IN MULTILATERAL FORUMS. OF POSSIBLE GREATER SIGNIFICANCE, PERU MAY BE MORE AMENABLE TO SETTLEMENT OF ITS DISPUTES WITH THE UNITED STATES IN AN EFFORT TO COUNTERBALANCE WHATEVER EXPECTED AMERICAN AID FLOWS TO CHILE, PERU'S TRADITIONAL MILITARY OPPONENT. IMPROVEMENT OF TIES WITH U.S. WILL OF
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COURSE BE INFLUENCED BY GOP HANDLING OF CERRO DE

PASCO'S MINING PROPERTIES. CERRO'S ILL-TIMED
SEPT 24 ANNOUNCEMENT THAT IT BREAKING OFF TALKS
WITH PERU MAKES IT HARD FOR GOP TO MOVE IN U.S.
DIRECTION IN SHORT TERM. END SUMMARY.

2. GOP IN RECENT WEEKS HAS TENDED TO AVOID CON-
FRONTATIONS WITH DOMESTIC OPPONENTS CAPABLE OF
PRECIPITATING ANY SORT OF SERIOUS OPPOSITION TO THE
GOVERNMENT. WHETHER DUE TO PRAGMATISM, A TACTICAL
SWING TO THE RIGHT OR A DISTANT FEAR OF A CHILEAN
TYPE SITUATION CHARACTERIZED BY STRIKES, RECENT
MILITARY GOVERNMENT DECISIONS HAVE BEEN CAUTIOUS.
EXAMPLES FOLLOW:

A. EL COMERCIO STRIKE. NOTWITHSTANDING STRONG
LEFTIST UNION DEMANDS AND PRESIDENT VELASCO'S KNOWN
DISTASTE FOR EL COMERCIO, THIS NEWSPAPER WAS NOT
NATIONALIZED WHEN IT BECAME APPARENT THAT MANY
MEMBERS CABINET AS WELL AS PUBLIC FELT THAT TAKEOVER
OF PAPER PRESAGED END OF PERUVIAN PRESS FREEDOM.
ACCORDING RELIABLE AIR FORCE CONTACT, ALL NAVY AND
AIR FORCE MINISTERS AND TWO ARMY (PRIME MINISTER
AND FINANCE) VOTED AGAINST NATIONALIZATION. AFTER
30-DAY STRIKE. NEWSPAPER RESUMED NORMAL PUBLICATION
ON AUG 26 (LIMA 6311).

B. ARIAS DEPORTATION. STUNG BY STRONG CRITICISM
OF MILITARY RULE CONTAINED IN ACCION POPULAR COMMUNIQUE
SIGNED BY PARTY LEADER JAVIER ARIAS STELLA, LATTER
WAS DEPORTED ON SEPT 7. WEEK LATER, ARIAS ALLOWED
RETURN AS RESULT PLEAS FROM ARIAS' MEDICAL COLLEAGUES,
WHO REPORTEDLY THOUGHT OF STRIKING, AS WELL AS
PUBLIC CRITICISM OF MILGOV INTIMIDATION TACTICS
(LIMA 6846).

C. PRO-ALLENDE MARCH. ACCEPTING ARGUMENT THAT
PERU'S REVOLUTION WAS NOT MARXIST AND THEREFORE HAD
NO BUSINESS SUPPORTING ALLENDE'S, IN EARLY SEPTEMBER
(LIMA 6625) MILGOV REFUSED PERMISSION TO COMMUNIST
LABOR GROUPS SEEKING STAGE PRO-ALLENDE MARCH. (SINCE
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ALLENDE OVERTHROW, MILGOV HAS CAREFULLY AVOIDED ANY
COMMENT ON INTERNAL CHILEAN AFFAIRS.)

D. SOCIAL PROPERTY DRAFT LAW. IN CONTRAST WITH
MOST PREVIOUS REFORM MEASURES, MILGOV IS PRESENTLY ENGAGED
IN NATIONWIDE CAMPAIGN EXPLAINING PROPOSED SOCIAL
PROPERTY LAW TO PUBLIC. CRITICISM HAS BEEN TOLERATED
AND TIME ALLOTTED FOR DEBATE EXTENDED BY ONE MONTH

AND SOME BELIEVE FURTHER DELAY TO COME. VIEWED BY MANY AS THREAT TO PRIVATE PROPERTY, MILGOV HAS GONE TO EXTRAORDINARY, IF UNCONVINCING LENGTHS, TO ASSURE PERUVIANS THAT REFORM IS SENSIBLE.

E. LAND REFORM. IN THE FACE OF SWELLING OPPOSITION FROM SMALL AND MEDIUM FARMERS TO LAND REFORM, MILGOV HAS EMBARKED ON MAJOR CAMPAIGN TO DECLARE SMALL LANDHOLDINGS AS EXEMPT FROM AGRARIAN REFORM. FURTHERMORE, MILGOV PERMITTED HOLDING OF NATIONAL FARMERS'S CONGRESS IN AREQUIPA (LIMA 6941) WHICH BITTERLY DENOUNCED LAND REFORM ABUSES. RATHER THAN RISK STRONG FARMER OPPOSITION TO MILGOV, WHICH COULD SERIOUSLY ENDANGER AGRICULTURAL PRODUCTION OR EVEN EGNITE FARMER REBELLION, MILGOV APPEARS TO HAVE BACKED OFF FROM COLLECTIVIZATION POLICIES WHICH WERE RESULTING IN EXPROPRIATION OF EVEN SMALL FARMERS.

F. SINAMOS. INSTEAD OF RISING IN DEFENSE OF THIS ORGANIZATION WHICH IS REPSONSIBLE FOR ENLISTING MASS SUPPORT FOR MILGOV POLICIES, GOP HAS SILENTLY ENDURED RISING CRITICISM OF SINAMOS. THIS UNCHARACTERISTIC POSE BY GOP SUGGESTS SINAMOS IS ON THE WANE

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OR DUE FOR REORGANIZATION. ON THE OTHER HAND, THERE ARE REPORTS THAT SINAMOS MAY HAVE DISPLACED LESS RADICAL GOP ELEMENTS IN DIRECTING THE PRO-GOVERNMENT CTRP LABOR FEDERATION. WHATEVER THE CASE, USUALLY VOCAL SINAMOS LEADERS HAVE BEEN QUIET OF LATE.

3. AFTER HIS JULY 28 SPEECH, IN WHICH PRESIDENT VELASCO FLAILED HIS CRITICS, THERE SEEMED TO BE LITTLE REASON TO EXPECT THE CAUTIOUS APPROACH OUTLINED IN PARA 2. THE SPEECH SEEMED TO MAKE VELASCO'S RE-ENTRY INTO ACTIVE DECISION MAKING AFTER HIS CONVALESCENCE. INSTEAD, VELASCO'S PHYSICAL VIGOR AND ENERGY MAY HAVE DETERIORATED SOMEWHAT AND THE PRESIDENT APPEARS TO BE RULING MORE AND MORE FROM HIS SUBURBAN COUNTRY HOME, ALTHOUGH HE CONTINUES TO PRESIDE OVER THE WEEKLY CABINET MEETINGS AND OTHER GOP
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DECISION MAKING PROCESSES; VELASCO'S ABSENCE FROM GOVERNMENT MAY BE RESPONSIBLE FOR THE GOP-'S CAUTIOUS APPROACH.

4. IN A RECENT DEVELOPMENT, POSSIBLY ATTRIBUTABLE TO VELASCO'S INABILITY TO PLAY A MORE ACTIVE ROLE, PERU'S RULING JUNTA IS REPORTEDLY MEETING REGULARLY TO DETERMINE GOP POLICIES IN ADVANCE OF CABINET MEETINGS. COMPOSED OF THE CHIEFS OF THE THREE SERVICES (ARMY CHIEF MERCADO, AIR FORCE CHIEF CILARDI, AND NAVY CHIEF VARGAS -- WHO ALSO ARE MEMBERS OF THE CABINET), THE JUNTA IS CONSIDERED MORE MODERATE THAN VELASCO OR HIS CABINET.

5. PERU'S AGGRESSIVE ANTI-IMPERIALISM STANCE AT CARACAS AND ALGIERS, IN THE LATTER CASE DIRECTED AGAINST THE U.S. AND USSR, CAN BE CITED AS EVIDENCE THAT THE GOP IS UNCHANGED. NONETHELESS, DOMESTICALLY PERU HAS ADOPTED A MORE CAUTIOUS COURSE, WHICH IS THE POINT OF THIS MESSAGE.

6. CERRO DE PASCO. THE GOP'S FAILURE SO FAR TO TAKE OVER CERRO DE PASCO NOTWITHSTANDING PRESIDENT VELASCO'S THREATS TO DO SO COULD ALSO BE CITED AS POSSIBLE EVIDENCE OF MORE MODERATE PERUVIAN POLICIES.

PERU'S HESITATION MAY BE AT AN END, HOWEVER, AS A RESULT OF CERRO'S DRAMATIC REFUSAL TO NEGOTIATE FURTHER ON THE SALE OF ITS ASSETS. HAVING PUBLICLY REBUKED THE GOP, USING WHAT APPEARS TO US EXTREME LANGUAGE, CERRO HAS VIRTUALLY INVITED A TAKEOVER.

7. CHILE. (A) EVENTS IN CHILE MIGHT BE EXPECTED TO STRENGTHEN THE HANDS OF PERUVIAN MODERATES URGING A CAUTIOUS APPROACH TO PERU'S DOMESTIC PROBLEMS. SUCH AN APPROACH WAS ALREADY VISIBLE AS OUTLINED IN PARA 2. (B) INTERNATIONALLY, PARTICULARLY IN INTER-AMERICAN FORUMS WHERE PERU WAS CHAMPIONING A MAJOR REVISION OF THE OAS, THE GOP CAN NO LONGER COUNT ON CHILEAN SUPPORT OR POSSIBLY EVEN THAT OF ARGENTINA, IF THE LATTER COUNTRY MOVES MORE CAUTIOUSLY UNDER PERON. (C) IN ITS RELATIONS WITH THE UNITED STATES, PERU
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IS BOUND TO VIEW ANY US-CHILEAN REAPPROCHEMENT WITH A JAUNDICED EYE. IRRESPECTIVE OF ALLENDE'S LEFTIST RHETORIC, WHICH LIMA CHEERED, CHILE REMAINED PERU'S HISTORIC MILITARY RIVAL. ALREADY WORRIED BY BRAZIL'S INROADS INTO THE AMAZON, PERU WILL NOT WANT TO BE LEFT ON THE SIDELINES IF THE UNITED STATES FURNISHES SUBSTANTIAL ECONOMIC AND MILITARY SUPPORT TO CHILE. UNDER THE CIRCUMSTANCES, THE GOP MIGHT WISH TO IMPROVE ITS TIES WITH THE UNITED STATES THEREBY IMPROVING ITS PROSPECTS FOR MUCH NEEDED AMERICAN (AND THIRD COUNTRY) PRIVATE INVESTMENT, INTERNATIONAL ECONOMIC ASSISTANCE AND WHATEVER MILITARY AID THE PERUVIAN MILITARY FEEL THEY NEED TO REMAIN ON A PAR WITH CHILE. SUCH CONSIDERATIONS MAY STRENGTHEN THE HANDS OF GOP MODERATES SEEKING BETTER U.S. TIES.

8. COMMENT. EMBASSY BELIEVES PERU'S CURRENTLY CAUTIOUS MOOD STRENGTHENED BY ALLENDE'S OVERTHROW MAY HAVE IMPROVED THE PROSPECTS FOR SETTLING OUTSTANDING U.S.-PERUVIAN BILATERAL QUESTIONS. PERU'S CAUTIOUS POLICIES MAY ALSO BE ATTRIBUTABLE TO PRESIDENT VELASCO'S RECENTLY DIMINISHED LEVEL OF ACTIVITIES. HOWEVER, CERRO'S UNTIMELY ANNOUNCEMENT MAY HAVE THROWN A MONKEY WRENCH INTO THIS PROCESS.
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